

## Rural Marketing- A study in Indian Context

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**Abstract:** Marketing is a process through which goods and services are exchanged from marketers to the consumers. The marketing concept and philosophies have changed over the period of time. In this article we limit our discussion to Rural Marketing in Indian context. Rural market is different from urban market in many ways. Rural population in India accounts around 627 million which is 74.3% of the total population. This requires developing a separate marketing- mix for rural market. Companies providing FMCG have a substantial percentage of sales from rural market. Many FMCG providing companies are targeting the rural market to have a competitive advantage over their competitors. Some of them are discussed in this article. Indian rural market is also targeted by many multi- national corporations. Our objective of this study is to understand the characteristic of Indian Rural Market, so as to develop a rural marketing- mix and how 21<sup>st</sup> century Indian rural market is changing.

Key word: Marketing, Indian Rural Market, Fast Moving Consumer Goods (FMCG), Marketing- mix.

### 1. Introduction

#### 1.1 Concept of marketing:

The American Marketing Association offers the following definition: "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational goals."

In other words marketing is a process whereby marketers identify the consumer's needs and wants and provide them with the want satisfying products. Marketing consists of 4 p's, product, price, promotion and place (distribution). A marketer formulates and implements strategies under these 4 p's integrating the overall function of the business.

**Marketing philosophies:** With the passage of time various marketing concepts evolved. Following are the various marketing concepts (time period is in the context of western European time frame):

- **Production oriented:** This concept was followed by the marketers until 1950's. As per the concept the firm will produce to explore economies of scale until it reaches the minimum efficiency of scale. It is based on the assumption that whatever and at what scale the firm produce, it will have the market and the taste of consumers will not change with the passage of time.
- **Product oriented:** According to this philosophy the marketers assumes the quality of the product as the profit driver and last till

1960's. Quality of the product was considered as the key factor to attract and retain the customers

- **Selling oriented:** This concept focused on selling the product to customers not keeping in consideration the taste and preference of the consumers. This concept is adopted by those firms which has high demand in the market with little chances of change in the consumer taste. This concept was popular in 1950's-1960's.
- **Marketing oriented:** Marketing is most common orientation used in contemporary marketing. This concept first came in 1970's and is followed till date. According to this approach needs and wants of the customer is considered as the profit driving force. It is believed that if the firm considers the changing need and habits of the consumer than they can sustain the demand for their product in the market. It includes various R&D techniques to identify the changing needs and preferences of the consumers and providing them customised products. For examples, you may experience that many firms adopt the method of using questionnaire for collecting data regarding changing tastes and preferences of the customers, for this they target the market with high customer approach such as shopping malls, weekly markets etc.
- **Holistic marketing oriented:** This is a 21<sup>st</sup> century approach, which considered marketing as a complex activity and includes every matter in marketing in developing, designing and implementing market programs and activities. Holistic marketing also considered social responsibility as an obligation on business which should be taken into account. Four components of holistic marketing are

relationship marketing, internal marketing, integrated marketing, and socially responsive marketing.

## 1.2 FMCG- fast moving consumer goods- A popular category of products

Fast moving consumer goods are those goods which have relatively low price. These products are sold quickly and have low margin of profit. Despite of their low margin, the profit earned by these products is high because of high volume of sale i.e. advantage of scale. Examples of these products are non- durable products such as soft drinks, toiletries, processed foods etc.

### Some of FMCG companies in India 2013

- Procter and Gamber(P&G)**  
 Market Capitalization- 9,555 crores  
 P&G is fast growing consumer goods Company in India. It serves over 650 million consumers in India. We daily consume its products; some of the popular brands are Ambi Pur, Ariel, Tide, Vicks, Olay, Pampers, Duracell etc. It operates in the beauty and grooming, healthcare and household care segments.
- Emami Ltd.**  
 Market capitalization- 10,788 crores  
 Emami provide personal and healthcare products in India. It has over 25 brands in his portfolio. Some of the major brands are Boro-plus, Fair and Handsome, Nirvana cool, 7 oil in one damage control hair oil etc. It was established in 1974.
- Marico Ltd.**  
 Market Capitalization- 13,137 crores  
 It provides consumer products and services in the Health and Beauty Segment in India. Its main brands are Saffola, Parachute, Revive, Hair & Care etc.
- Colgate Palmolive**  
 Market Capitalization- 18,329 crores  
 Colgate Palmolive provides products in the health and personal care segment. Its products include soaps, detergents and oral hygiene products like toothpaste and toothbrush.
- HUL- Hindustan Uniliver Ltd.**  
 Market capitalization- 127,144 crores  
 HUL provides consumer goods in India. Its major brands are Fair and lovely, Lifebuoy, Clinic Plus, Pepsodent, wheel, Kissan, Kwality wall's, Sunsilk etc. it is the leading player in Indian consumer goods market.
- ITC Ltd.**  
 Market capitalization- 256,769 crores  
 ITC Ltd dominates the FMCG segments in India. It is leading in the Tobacco business. It provides products in Healthcare, Lifestyle Retailing and Food segments. Some of the

popular brands are Aashirvada, Sun feast, Jonh Player, Vivel, Classic cigarettes etc.

## 2. Concept of rural marketing

### 2.1 Concept:

Rural marketing mean all the activities which facilitates the exchange of goods and services between business firms and rural consumers or a process through which a marketer try to identify the need and wants of the rural consumers and provide them with the want satisfying products.

There are various view points on formulating the marketing mix for rural market. Some says that a marketer can follow same marketing mix for urban and rural market. But in my opinion both urban and rural markets have different characteristics and a marketer cannot consider both as same. Some of the differences are:

### Difference between urban and rural market

Basis	Urban	Rural
Income level	Comparatively high	Comparatively low
Major occupational sector	Tertiary and service sector	Primary sector
Approach	Technological and practical	Traditional approach supported by customs and religious beliefs
Family institution	Generally, nuclear family system is followed.	Mostly, joint family system is adopted.

### Characteristics of rural market:

It has been seen that, especially in the context of India, that rural market has following characteristics:

- Comparatively Low income group:**  
 Distribution of households by income

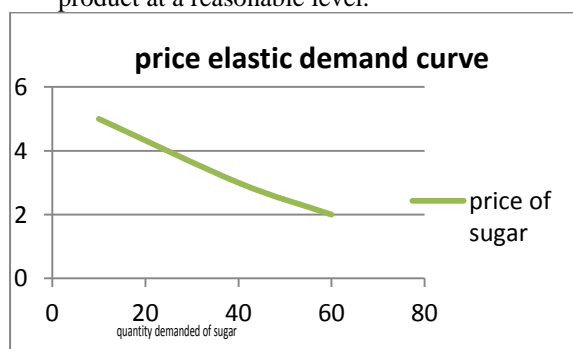
Annual income- (Rs.) 1995-1996 prices	Percentage
<25000 (lower)	57.2
25001- 50000 (lower middle)	29.0
50001- 77000 ( middle)	8.6
77001- 1,06,000 (upper middle)	3.1
>1,06,000 (higher)	2.0
Total	100

[Source: Natrajan (1998), as quoted by Velayudhan (2002), p.33]

As you can see in the table that households having income below Rs. 25000 annually comprise of 57.2% which is more than half of the total rural population in India. On the other hand only 2% of the total rural population comes under high income group i.e. more than

Rs. 1, 06, 000 annually. So, it is clear from the table that in rural area income level is very low and marketer should formulate their marketing strategies keeping in view the above point.

- **Illiteracy:** In rural area the level of literacy as compared to the urban sector is low, hence, marketer have to adopt different strategies in rural marketing mix as compared to the urban marketing mix. For example, using audio and video means of promotion in rural areas as compared to advertisement in newspapers and magazines.
- **Emotional based buying decisions:** As India is the country of customs and traditions; decision of the consumers especially in the rural area is based on emotions. So marketer have to keep in mind all custom, tradition and beliefs of the people in the concerned area which can be done through R&D prior approaching a particular rural market. For example, for a readymade garment business to be successful in a rural area, one must know traditional clothing style of that area before launching their product because consumers may not prefer western cloth, so the business firm have to provide their customer with the product( in this case cloths) of their choice.
- **High price elasticity:** As discussed above the household income level of in rural area is low; this results in a very high elastic demand curve in rural market. As shown in the figure quantity demanded for sugar is given on X-axis and price of the sugar is given on Y-axis, a slight increase in the price of sugar lower down its quantity demanded by the consumers. So, marketer should keep prices of their product at a reasonable level.



## 2.2 Rural marketing mix

Marketing mix is the combination of 4 p's which includes product, price, promotion and place. Following are the features and respective strategy for rural marketing mix:

### a) Product:

- **Different size of Packs:** Generally, in rural area people prefer to consume goods in small pack rather than purchasing big packs. You can find small packs of biscuits in rural area which you don't find in urban area. For example, Parle-g branded biscuits come in a

very small pack which we can't find in cities and that too at a very low price.

- **Value for money:** Since, income level in rural area is relatively low as compared to the urban sector that is why rural consumers want to extract maximum benefit from the product for which they are paying money. That is why it is important for the marketer to provide products to the consumer that gives them full satisfaction and it helps to build brand loyalty. For example, Nirma is successful in providing their customers with satisfaction worth the money paid.
- **Durable:** Durability is very important factor that can be used by the marketer as a competitive advantage. Product should be long lasting as claimed in the advertisement. Rural consumers are comparatively more concerned about the durability of the product. For example many companies follow the slogan "sasta aur tikau" which help the marketer to build the confidence of the consumers.
- **Brand:** Brand names should be simple as rural consumers are not familiar with international and most popular brands, especially women. For example, **Sunsilk** shampoos a very popular brand name which is available in different colours. In rural areas consumers recognise it by colours and not by brand name. So, it's a difficult task for the marketer to build the brand name in the mind of rural consumers. In order to overcome this difficulty marketer can form a brand name which is easy and simple to read and recognise, with attractive logo on it, to which consumer can easily be connect.
- **Simple packaging:** Packing of the product should be simple and easy to use. Pack of a product should not contain complicated instruction to use the product as it would be difficult to follow by most of the rural consumers. Moreover, the containers used for packing should be such that it can be reused.

### b) Price:

- **Strategies to maintain price level considering inflation and capacity to pay:** The purchasing power in the rural area is relatively low as compared to the urban sector, and that is the reason for high price elastic demand. A slight increase in the price leads to drastic fall in the quantity demanded. Strategies such as reduction in the quantity of the product at the same price in case of increased inflation can be adopted. Another strategy that can be adopted here is to make pack of very small size at a low price keeping in consideration the paying capacity of the customers in rural area.
- **Concentration on low cost production:** Another alternative to maintain the price level despite of the rise in inflation in the economy is to keep the cost of production low by

innovating low costing techniques and processes. Here latest technology can be used to reduce the cost of production.

- **Psychological pricing:** Psychological pricing means charging a price which reveals to be low psychologically but actually it hardly make any difference with the price of relatively other products in the same category. For example, a product price is Rs. 99 and other marketer is charging Rs. 105 for the same variety of product, the consumer would prefer to purchase the product at a price of Rs. 99 as compared to Rs. 105 because this price is psychologically more persuading as compare to the latter.
- c) **Promotion:**
  - **Direct selling-** Direct selling in the case of the rural market would be a good promotion tool. It would be preferred to hire local people for this purpose as he would be able to communicate well with the people in the concerned area and is familiar with the customs and tradition of area.
  - **Publicity campaign or Nukud Natak (generally adopted by the government):** As the literacy rate in rural area is comparatively low, video and audio mode of advertisement is preferable strategies for promotion. Various campaigns are launched by the government by this way such as **family planning programme, awareness about HIV** etc. Marketer can also adopt this strategy to promote their product such as selling of banking services i.e. educating people about the benefits of opening a bank account, various loan facilities etc. Today **SBI** have largest number of rural branches across India, which sells their services through such campaign.
  - **Free gifts with the product:** Most of the marketer follows this promotional technique, in which they give gift with the purchase of the product. For example, **Cadbury Jems** are sold with a free panda toy with different colours with every pack. And this promotional technique is very successful in the market segments for children.
  - **Free samples:** It is traditional and useful promotional tool to launch a new product. Small packs of the product are produced to distribute them as free. It gives an experience to the consumers of the product regarding its quality, durability, features etc. It helps the marketer to modify the product according to the experiences and feedback of the consumers.
  - **Demonstration:** Live demonstration of using a product helps to educate and inform the customers about the product. It is also beneficial for the customers as they get an opportunity to see live demonstration of the product which reveals the performance of the

product, its features /properties etc. Generally demonstrations are performed for the products such as washing powder, electronic products- mobile phones, washing machines, automobiles etc.

d) **Place (Distribution)**

- **Haats:** Haats are the weekly market where consumers can purchase the daily necessity products, garments, farms inputs etc. They are the most approachable place for distributing goods and services.
- **Melas:** Fairs and exhibitions are also good source for approaching the customers. Most of the people in rural area visit Melas and buy different types of products. Marketer has a good opportunity to sell their products there.
- **Local retailers:** Marketer can contact the local retailers who can display their product in their shops. Since, melas and haats can't be setup daily thus local retailers/ shops keepers attend maximum percentage of rural customers.
- **Local hawkers:** They are very popular in rural areas who carry consumer goods of many companies, generally on a bicycle, and visit frequently the consumer's place. They visit door to door in a particular area and sell their products. Women generally purchase their daily consumption goods such as cosmetics- popular brand in rural area is **fair and lovely fairness cream**; utensils; biscuits- Parle-g is very in rural area; washing powder- Nirma washing powder etc.

3. **Rural market and FMCG sector.**

**3.1 Increase in monthly per capita expenditure on FMGC products:**

Year	Urban	Rural
1987-94	14	7.3
1993- 2005	11.8	7.5
2004- 2010	13.9	13.2
2009- 2012	17.3	19.2

According to the NSSO estimate rural India is spending more on FMCG as compared to the urban sector. Monthly per capita expenditure by rural sector has shown a substantial increase of 11.9% form 1987- 2012. From the data above it is clear that in 1987 the urban-rural ratio in terms of monthly per capita expenditure was 14:7.3, and that urban sector was spending more than the rural sector. At this time the income level in rural area was comparatively very low. But after green revolution the income level in rural area increased manifold combined with the good monsoon and govt. support, the MPCE in rural and urban sector was almost equal i.e. 13.9 in case of urban sector and 13.2 in rural sector between 2004- 2010. Lastly, in the current period MPCE on FMCG in rural sector has crossed the urban sector with a total percentage of 19.2% as compared to 17.3% in urban sector.



### 3.2 The Associated Chamber and Commerce in India in its press release January 3<sup>rd</sup> 2010

The press release contains the following analysis by ASSOCHAM:

- By 2012 Fast Moving Consumer Goods will witness more than 50% growth in Rural and Semi- Urban segment.
- It is projected a grow to Rs. 1,06,300 crore from the present level of Rs. 87,900 crore in market size which is a 10% compounded annual growth rate in totality.
- In rural and semi- urban area, FMCG shows a 2% growth as against the total of 8% growth rate.

**3.3** According to HT correspondence, Hindustan times Mumbai November 2013, "Pepsi, Coke, Cadbury target rural market in India and Pepsi Company announced that it would invest \$5.5 billion by 2020 to expand its operation in India."

### 3.4 PARLE-G:

**Company profile:** Parle- G was established in 1929. It has 35% share of total biscuit market and 15% share of the total confectionery market. The company's total annual turnover is around 2000 crores.

Its Share of rural market makes it the largest manufacturing unit in India. Company has 14 manufacturing units for biscuits and 5 manufacturing units for confectioneries.

**Share of rural market:** Parle- G is a very popular brand in the rural area. 50% of the total production is consumed by the rural market and people with earning of below Rs. 750 per month consume 30% of the total production. This shows that a very large portion of the total production by the company is demanded by the rural customers and low income group people. Company is catering the major rural demand of biscuits industry and it became the market leader in the industry.

### 4. Competitive advantage for the firms to adopt rural marketing mix- A change in the Indian Rural Market.

Rural population in India accounts around 627 million which is 74.3% of the total population. More than 50% of the population is living in rural area. Now a days situation of the rural market is changing rapidly. Income level in rural area has shown a substantial growth due to green revolution. This lead to the change in taste and preference of the rural consumers and data below gives an overview to it:

- "46% of the soft drinks sales happen in the rural areas.
- Rural India accounts for 49% motorcycle sales.

- Rural India accounts for 59% of Cigarettes sales.
- 53% of FMCG sales happen at Rural India.
- Talcum powder is used by more than 25% of rural India.
- Lipsticks are used by more than 11% of the rural women and less than 22% of the urban women.
- Close to 10% of Maruti Suzuki's sales come from the rural market
- Hero Honda, on its part, had 50% of its sales coming from this market in FY'09.
- Rural India has a large consuming class with 41% of India's middle- class and 58% of the total disposable income accounting for consumption."

According to above data we can conclude that more than half of the total FMCG sale happens in rural area i.e. 53% of total FMCG sales. If we talk about sales of automobiles in financial year 2009- 10% sales for Maruti Suzuki, about 50% sales of Hero Honda comes from rural market and about 49% of motorcycle sales comes from rural Indian market. Again it is witnessed from the above data that in soft drinks sector total rural market share is about 46% which is near to half of the total turnover which is a substantial part. The same case is with the cosmetic sector also; more than 25% of rural India use talcum powder and more than 11% of rural women use lipstick. Rural market's major contribution goes to tobacco sector; it accounts about 59% of sale of cigarette.

As we can see rural sector has a substantial share in total Indian market. If a business firm want to survive, grow and want to have a competitive advantage over his competitors than he can't ignore Indian rural market.

### Conclusion:

Rural market is different from urban market in many ways. We have explored various strategies in rural marketing- mix with reference to many popular FMCG providing companies. With the help of statistical data and analysis, we came to know that Indian Rural market have a substantial share in the total Indian market.

Indian rural market is on a rapid changing process which will bring new philosophy in marketing. More FMCG companies are expanding their business in the rural market. If a business wants to flourish and expand its business than it has to give equal consideration to rural market along with the urban market. It is correct to say that in 20 years Indian Rural Market will be larger than the total market of many countries and almost 4 times of today's Indian urban market.

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